



Show Me the Money!





Interest Accrual

- "Interest accrues daily on the unpaid principal balance."
- DLSS has an "accrued through date" effective with end of each quarter.
- You can calculate how much interest will accrue for any period.

Interest Calculation "Do the Math"

Beth has \$15000.00 outstanding in Direct Unsubsidized Loans. She wants to know how much interest will accrue during her grace period.



Interest Calculation "Do the Math"

Multiply \$15000 x 6.86% = \$1029Divide \$1029/365.25 = \$2.817 \$2.817 is the amount that accrues daily on Beth's loan.



Interest Calculation "Do the Math"

During her grace period from 6/1 through 11/30, \$515.51 in interest will accrue on Beth's loans. If unpaid, the interest will *capitalize*.





- Capitalization adds unpaid accrued interest to the principal balance.
- Interest then begins accruing on the higher principal balance.





Capitalization - When Does It Occur?

- End of an unsubsidized deferment, or forbearance period.
- End of the grace period.
- At repayment begin, if converting to repayment late.



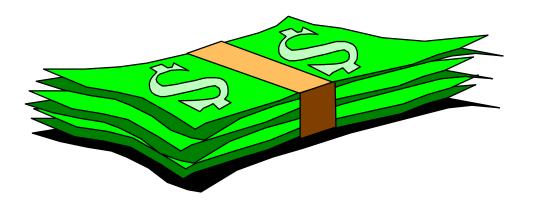
Capitalization: How Does the Loan Customer Know?

The Direct Loan Servicing Center mails statements within 2 weeks after the end of each calendar quarter containing accrued interest and capitalization information.



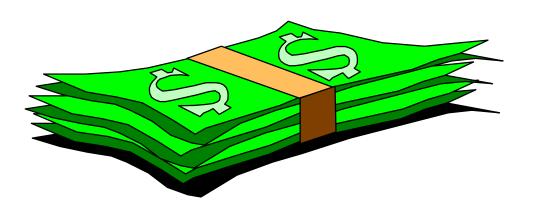
How to Reduce Interest Paid

Pay during grace period, deferments, and forbearances to avoid capitalization.



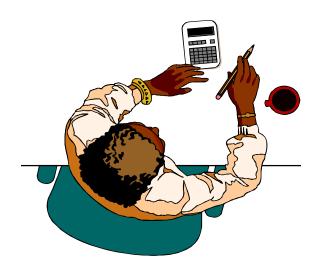


- Pay extra each month. Excess is applied to reduce principal balance.
- Pay on time!



Repayment Plans

Customers can control total loan costs by selecting the right repayment plan.



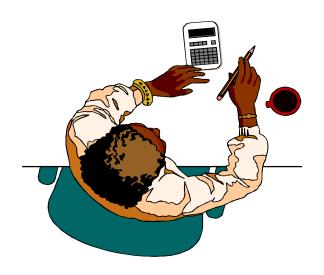


Standard Repayment Plan

- Fixed monthly payment amount.
- Not less than \$50.00.
- Up to 10 years in length 120 payments.
- Loans repaid in shortest possible time.

Standard Repayment Plan

Over 60% of Direct Loan Customers are repaying through the Standard repayment plan.





- Minimum monthly payment of \$50.00.
- Varying term of 12 to 30 years, depending on total owed.
- Payments will be less, but more interest paid over repayment term.



Graduated Repayment Plan

- Payments start low, then increase, generally every two years.
- Monthly payments never less than accrued interest.
- Good for customers expecting steady increase in income.



Income Contingent Repayment Plan

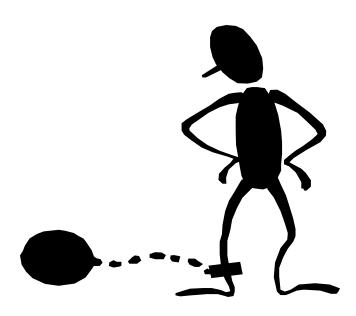
- Payment amount calculated on basis of annual income.
- Requires validation of income with Internal Revenue Service
- Payments may be less than interest accrual (negative amortization).



- Schools can receive repayment plan selection info for exit counseling purposes.
- All customers are sent selection package 60 days before grace end.
- Customers with no selection are placed on Standard repayment plan.



Wrong Repayment Plan?



Direct Loan Customers can change their payment plan at any time by calling the Direct Loan Servicing Center.



Consolidation

- Customers with several loan types and/or multiple servicers may consider consolidation.
- Consolidation loans are eligible for all repayment plans.



Consolidation

- Interest rate is calculated on the weighted average of the underlying loans.
- Interest rate is fixed for the life of the loan.



Interest Rate Discounts

Starting this fall, Direct Loan customers who repay their loans via electronic debit from their checking account will receive a .25% reduction in their annual interest rate.





In Summary...

- Interest accrual can be reduced by making payments during unsubsidized periods.
- Pay on time.
- Repayment plans can control total loan costs.
- Encourage customers to select EDA.



Thank You for Coming!

